

Message Text

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INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

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XMB-07 OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 FEAE-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9320

INFO USINT ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

S E C R E T SECTION 1 OF 2 CAIRO 7762

E.O. 11652: GDS

TAGS: PFOR, EG, US

SUBJ: QUARTERLY POLITICAL ASSESSMENT: JULY 1 TO
SEPTEMBER 30, 1974

SUMMARY. DURING SUMMER MONTHS USG/GOE COORDINATION WAS CLOSE.
SECRETARY SIMON VISITED CAIRO, JOINT WORKING GROUPS WERE SET UP,
AND FM FAHMY DISCUSSED ME SETTLEMENT PROCESS IN WASHINGTON.
NEVERTHELESS, USG'S INABILITY TO PRODUCE VISIBLE BENEFITS OF NEW
RELATIONSHIP-FURTHER ISRAELI WITHDRAWAL, ARMS, ECONOMIC
ASSISTANCE, PRIVATE INVESTMENT-DISAPPOINTED GOE. SERIOUS

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DOMESTIC PROBLEMS LED TO MINOR CABINET CHANGES. SADAT
HIMSELF CONCENTRATED DIPLOMATIC EFFORTS IN ME, WITH MIXED RESULTS.

FOLLOWING INITIAL SUCCESS WITH HUSAIN IN ALEXANDRIA, SADAT WAS UNABLE ARRANGE QUADRIpartite TALKS AND PAID SUCH HIGH PRICE FOR TRIpartite MEETING (COMMUNIQUE SAID PLO IS "SOLE" PALESTINIAN REP) THAT HUSAIN "FROZE" NEGOTIATIONS. SOVIETS TOO DEALT BODY BLOW BY UNCEREMONIOUSLY PUTTING OFF JULY FAHMY VISIT TO OCTOBER, BUT DID FINALLY RESUME LIMITED ARMS SHIPMENTS END AUGUST.
END SUMMARY.

1. FOLLOWING IS EMBASSY CAIRO'S QUARTERLY POLITICAL ASSESSMENT FOR PERIOD JULY 1-SEPTEMBER 30. PART I, EGYPTIAN FOREIGN AFFAIRS,

IS DIVIDED INTO SUB-SECTIONS ON GOE RELATIONS WITH USG, USSR, OTHER ARAB AND WESTERN EUROPE. PART II DISCUSSES INTERNAL POLITICAL-ECONOMIC SITUATION.

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2. PART I-FOREIGN AFFAIRS

A. US-EGYPTIAN RELATIONS

HOPE, TINGED WITH APPREHENSION HAS INCREASINGLY CHARACTERIZED EGYPTIAN ATTITUDES TOWARD US. LOCAL EXUBERANCE OVER NIXON OUSTER. FM FAHMY, ACCOMPANIED BY SIZABLE EGYPTIAN ECONOMIC DELEGATION, FLEW TO WASHINGTON TO DISCUSS ARAB-ISRAELI PEACEMAKING PROCESS AND ESTABLISH JOINT WORKING GROUPS AND SUB-COMMITTEES. ON THE PRIVATE LEVEL, THE SPATE OF AMERICAN BUSINESSMEN SEEKING COMMERCIAL OPPORTUNITIES IN EGYPT PROVIDED VISIBLE EVIDENCE OF CLOSER US-EGYPTIAN RELATIONS. AS RESULT OF GOE INSTRUCTIONS PUBLIC MEDIA TREATMENT OF US WAS GENERALLY GOOD, THOUGH A FEW SNIDE SLAPS AT US BY LEFTWING PRESS CIRCLES MANAGED TO BREAK INTO PRINT.

3. INTENSE BILATERAL ACTIVITY WAS ACCOMPANIED BY INCREASINGLY INFLATED EXPECTATIONS THAT US WOULD DELIVER ON PROMISES OF MAJOR ASSISTANCE, BOTH REAL AND IMAGINED. MANY THOUGHT THAT \$1 OR \$2 BILLION MIGHT BE EXPECTED FROM THE US, BUT WERE CONCERNED BY THE END OF SUMMER THAT THERE WAS VIRTUALLY NO US ECONOMIC AID WITH WHICH GOE COULD DEFEND ITS DRASTIC POLICY CHANGE. ANNOUNCEMENT FIRST QUARTER PL 480 WHEAT AGREEMENT HELPED SOME,

BUT PROMISED ADDITIONAL QUANTITIES WERE EAGERLY AWAITED. SOVIET

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FREEZE OF ALL HELP TO EGYPT AND SERIOUS DOMESTIC ECONOMIC CRISES MADE EGYPTIANS ACUTELY CONSCIOUS OF THEIR DEPENDENCE ON NON-ARAB BENEFICIARIES. ADDED TO THIS WAS IMPATIENCE WITH US RELUCTANCE TO PROVIDE ARMS, WHILE LACK OF MOVEMENT TO EFFECT FURTHER ISRAELI WITHDRAWAL FROM SINAI REFUELED EGYPTIAN FEARS THAT DISENGAGEMENT AGREEMENT WAS A TRAP. AREA-WIDE WAR TALK, SEEN HERE AS ISRAELI INSTIGATED, STRENGTHENED THAT VIEW. IT WAS FURTHER INTENSIFIED BY CERTAIN KNOWLEDGE THAT US WOULD CONTINUE TO ARM ISRAEL FOLLOWING RABIN VISIT. IN CONSEQUENCE EVEN HIGHLY PLACED EGYPTIANS WARNED US THERE MUST SOON BE FURTHER MOVEMENT IF A DETERIORATION OF US/EGYPTIAN RELATIONS WAS TO BE AVERTED. MOST

DISTRESSING OF ALL WAS
RESIGNATION NIXON, WHOM
EGYPTIANS REGARDED WAS WARM FRIEND. QUICK ACTION BY PRESIDENT FORD
TO REAFFIRM PUBLICLY AND PRIVATELY AMERICAN MIDDLE EAST POLICY AND
TO RETAIN SECRETARY KISSINGER HELPED GREATLY TO ALLAY GOE'S
MISGIVINGS, AND US SUPPORT FOR INSCRIPTION OF PALESTINIAN ITEM AT
UNGA
WAS SEEN AS FAVORABLE SIGN OF NEW US ADMINISTRATION'S INTENTION BY
POLITICAL ESTABLISHMENT IN EGYPT. NEVERTHELESS UG'S LOCAL IMAGE
IS LIKELY TO DEPEND IN LARGE
MEASURE UPON ITS ABILITY AND WILLINGNESS TO ACHIEVE
FURTHER ISRAELI WITHDRAWAL FROM THE SINAI FAST AND TO PROVIDE
PROMISED ECONOMIC AID.

4. LIKE OTHER ARABS, EGYPTIANS HAVE ALSO NOTED STATEMENT BY
PRESIDENT FORD AND THE SECRETARY ABOUT POSSIBLE CONSEQUENCE OF
HIGH OIL PRICES AND ARE WORRIED A NEW US-ARAB CONFRONTATION
MAY BE SHPAING UP. PUBLICLY BOTH PRESIDENT SADAT AND FM FAHMY
ALIGNED THEMSELVES WITH PRODUCER ATTITUDES; PRIVATELY EGYPTIANS
ACKNOWLEDGE THEY ARE CAUGHT IN THE MIDDLE. AS PETROLEUM AND
BASIC COMMODITY IMPORTERS, THEY FEEL THE PINCH OF HIGH OIL PRICES;
YET FOR POLITICAL REASONS, THEY FIND IT NECESSARY TO SUPPORT
PRODUCER POSITIONS.

5. B. EGYPTIAN/SOVIET RELATIONS
SPORADIC PROGRESS OF EGYPTIAN/SOVIET RELATIONS CAME TO JARRING
HALT INMID-JULY WHEN MOSCOW, TO CONSTERNATION OF GOE, ANNOUNCED
FM FAHMY'S IMMINENT VISIT SHOULD BE PUT OFF UNTIL OCTOBER"TO
ALLOW MORE TIME FOR PREPARATIONS". SADAT AND FAHMY, WHO HAD
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PUBLICLY ANNOUNCED FM'S VISIT WAS FOR PURPOSE OF ARRANGING
BREZHNEV'S VISIT TO CAIRO, WERE SHAKEN. WE CANNOT BE SURE WHAT
WAS BEHIND MOSCOW'S DECISION, ALTHOUGH SOVIETS WERE CLEARLY UPSET
WITH EGYPT'S FLOURISHING OF NEW AMERICAN CONNECTION. THEY WANTED
DEP PM AND MINWAR ISMAIL TO HEAD GOE DELEGATION IN PLACE OF
FAHMY, WHOM THEY DISTRUST FOR PRO-AMERICAN PROCLIVITIES.
GOE PUBLIC PRONOUNCEMENTS FOLLOWING
CANCELLATION FAHMY'S VISIT REMAINED ICILY POLITE AND STRESSED
EGYPTIAN NON-ALIGNMENT, FRIENDSHIP FOR SOVIET PEOPLE, AND
DISTRESSING SOVIET "MISUNDERSTANDING" OF PAST GOE ACTIONS. THIS
PR POLICY CONTINUED DESPITE HIGHLY CRITICAL IZVESTIA ARTICLE
OF JULY 24.

6. MEANWHILE, SADAT WAS REPORTEDLY UNDER INCREASING PRESSURE
FROM HIS SENIOR MILITARY COMMANDERS WHO WERE CONCERNED AT
CONTINUING SOVIET REFUSAL TO RESUME ARMS SHIPMENTS. ARRIVAL
IN LATE AUGUST OF TWO SHIPMENTS OF AMMUNITION AND SPARE PARTS,
A MATTER OF INCREASINGLY WIDE KNOWLEDGE IN CAIRO, WAS POLITICAL
WINDFALL FOR SADAT. TOGETHER WITH POSSIBLE REOPENING OF EUROPEAN
ARMS MARKETS, IT HELPED TAKE THE HEAT OFF HIM FOR TIME BEING.

FAHMY IS NOW SCHEDULED TO MAKE HIS MOSCOW TRIP ON OCTOBER 14
AND SOME THAW IN BILATERAL RELATIONS MAY BE UNDERWAY. IN
PREPARATIONS FOR VISIT, CAIRO PRESS HAS GIVEN UNUSUAL SPACE TO
USSR IN RECENT DAYS.

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TO SECSTATE WASHDC 9321

INFO USINT ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AOEMBASSY DAMASCUS 336

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

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7. C. EGYPTIAN/ARAB RELATIONS

SINCE IMPLEMENTATION OF SYRIAN DISENGAGEMENT, SADAT HAS CONCENTRATED
HIS DIPLOMACY IN ARAB ARENA. HIS GOAL HAS BEEN TO STAGE AN ARAB
SUMMIT WHICH COULD AGREE ON A SOLID, RATIONAL NEGOTIATING POSITION
TO TAKE TO GENEVA.

8. BASIC ISSUE DIVIDING ARAB GOVERNMENTS IS, OF COURSE, DISPOSITION
OF WEST BANK. FIRMLY BACKED ONLY BY SAUDI ARABIA, SADAT HAS TACKLED
PROBLEM HEAD ON. ALMOST ALONE AMONG ARAB LEADERS, HE HAS BEEN
WILLING TO INCUR POLITICAL RISK OF PUBLICLY TELLING PLO TO
GROW UP. IN JULY 23 STATE OF UNION MESSAGE, FOR EXAMPLE, HE

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WARNED PALESTINIANS THAT ALTERNATIVE TO COORDINATION WITH JORDAN IS ARAB CIVIL WAR AND CONSEQUENT ISRAELI EVASION OF GENEVA.

9. ALEXANDRIA COMMUNIQUE AND SECRET PROTOCOL OF JULY 17 WAS IMPORTANT STEP FORWARD IN GOE VIEW, PROVIDING CLEAR GOJ AGREEMENT THAT PLO MUST BE FULL PARTICIPANT IN QUADRIPARTITE COORDINATION PREPARATORY TO GENEVA, AS WELL AS SPECIFIC CONCESSIONS FROM KING HUSAIN LIMITING JORDANIAN ROLE IN WEST BANK.

10. VIOLENT FEDAYEEN REACTION TO ALEXANDRIA COMMUNIQUE AND TO FAHMY'S PUBLIC EXEGESIS THAT WEST BANK AND GAZA ARE "TRUSTS" SHOOK EGYPTIANS BADLY. SADAT HAD OVERESTIMATED HIS INFLUENCE ON ARAFAT AND ARAFAT'S GRIP ON PLO. NEVERTHELESS, DURING JULY AND AUGUST HE ADHERED TO HIS POLICY OF PUBLIC AMBIGUITIES AND PRIVATE ADMONITIONS, INSISTING WITH SOME SUCCESS TO PALESTINIANS THAT THEY ABANDON THEIR NO-TRUCK-WITH-THE HASHEMITES POLICY, AND PRESSING HUSAIN TO COMPROMISE ON GOJ DEMAND THAT IT TAKE OVER WEST BANK SECURITY AND ADMINISTRATION IN EVENT OF ISRAELI WITHDRAWAL.

11. PROFOUND PLO-GOJ MUTUAL DISTRUST AND COMPLEXITY OF NEGOTIATIONS FORCES SADAT TO ARRANGE FOR POSTPONEMENT OF ARAB SUMMIT TO OCT 26. RELUCTANCE OF OTHER ARABS, NOTABLY SYRIA, TO TAKE UNPOPULAR "ANTI-PLO" DECISIONS PUBLICLY LEFT SADAT IN EMBARRASSINGLY EXPOSED POSITION DURING POSTPONEMENT NEGOTIATIONS. HIS ONLY SUPPORT CAME FROM SO-CALLED "REACTIONARIES" LED BY FAISAL, WHOSE AUGUST STATE VISIT APPARENTLY RESULTED IN AGREEMENT ON TACTICS AND STRATEGY FOR SUMMIT. (FAISAL HAS BEEN STAUNCH ALLY, PAYING FOR ARMS AND TRAINING, E.G. MIRAGES AND PILOTS). GOE MAY AT LAST HAVE WON SOME POINTS FROM ARAB LEFT, HOWEVER, BY SEIZING INITIATIVE ON PALESTINE/UNGA ISSUE. FAHMY VIRTUE OF NECESSITY, CLAIMING CREDIT FOR ARAB LEAGUE RESOLUTION WHICH WAS SURE TO PASS EVEN IF GOE OPPOSED. WE UNDERSTAND GOE WILL WORK TO ENSURE UNGA RESOLUTION DOES NOT RESULT IN PUBLIC HUMILIATION FOR HUSAIN ON "REPRESENTIVITY" ISSUE.

12. ALTHOUGH ALEXANDRIA COMMUNIQUE CONTINUES TO RANKLE IN PLO EXCOMM, FAHMY (PROBABLY WITH HELP FROM FAISAL) MANAGED TO ASSEMBLE QADDUMI AND KHADDAM FOR MUCH PUBLICIZED, MUCH POSTPONED TRIPARTITE MEETING SEPTEMBER 21. RESULTING COMMUNIQUE, RECOGNIZING PLO AS "SOLE" LEGITIMATE REPRESENTATIVE OF PALESTINIANS, PREDICTABLY

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INFURAIATED JORDANIANS. FOR ITS PART, GOE TAKES LINE THAT TWO COMMUNIQUE ARE NOT INCONSISTENT: PLO REPRESENTS PALESTINIANS WHO HAVE NOT PLEDGED ALLEGIANCE TO ANOTHER STATE. ALTHOUGH GOJ IS FED UP WITH SUCH AMBIGUITIES, GOE CONSIDERS WORKABLE VERSION CONFIDENTIAL "INTERPRETATIONS". UNDAUNTED BY HUSAIN'S FREEZE ON

FURTHER GOE PARTICIPATION IN INTER-ARAB NEGOTIATIONS, SADAT'S TACTICS OF DIVERGENT PUBLIC PRONOUNCEMENTS COUPLED WITH SUBSEQUENT PRIVATE "TO RECONCILE APPARENT DISCREPANCIES" MAY BE EXPECTED TO CONTINUE.

13. ELSEWHERE IN ARAB WORLD, GOE HAS BEEN UNUSUALLY ACTIVE AND HAS SCORED AN IMPORTANT SUCCESS, NAMELY IN IMPROVING RELATIONS WITH BAGHDAD TO POINT WHERE IRAQ HAS PROMISED TO ATTEND SUMMIT. GOE HAS ALSO MOVED ENERGETICALLY, THOUGH PERHAPS NOT REALISTICALLY IN SEEKING TO CHOK OFF PDRY ROLE IN DHOFAR REBELLION. RELATIONS WITH SYRIA HAVE BEEN STRAINED BUT CORRECT;

EGYPTIANS RESENT ASAD'S LEAVING PLO/GOJ PROBLEM IN EGYPTIAN LAP. GOE HAS TAKEN PAINS TO KEEP ON GOOD SIDE OF GULF STATES (OTHER THAN KUWAIT) FOR SAKE OF THEIR AL VOTE AND THEIR MONEY; SHAIKHS ZAYID AND KHALIFA MADE STATE VISIT THIS SUMMER. KUWAITIS AND ALGERIANS, VIEWED HERE AS IRRITATINGLY STIFFNECKED ON PALESTINE, HAVE RECEIVED LESS ATTENTION. QADHAAFI PROBLEM CONTINUED THROUGHOUT SUMMER WITH PROVOCATIONS FROM BOTH SIDES, THOUGH MORATORIUM ON PUBLIC ATTACKS AGAINST EACH OTHER WAS ARRANGED WITH ZAYID'S ASSISTANCE. SADAT HAS POWERFUL ANTI-GOL WEAPON IN THOUSANDS OF TEACHERS AND TECHNICIANS SECONDED TO GOL, BUT EGYPTIANS ARE MINDFUL OF THREAT OF LIBYAN INCITED TERRORISM HERE.

14. D. EGYPTIAN/EUROPEAN RELATIONS

THE SINGLE IMPORTANT EUROPEAN DEVELOPMENT AFFECTING EGYPT DURING THE SUMMER WAS THE ANNOUNCED CHANGE IN FRENCH ARMS POLICY. ASSUMING THAT SAUDI AND GULF FINANCING CONTINUES TO BE AVAILABLE, THE LIFTING OF FRENCH EMBARGO ON MILITARY SALES TO CONFRONTATION COUNTRIES OPENS AN ALTERNATIVE ARMS SOURCE OF MAJOR SIGNIFICANCE TO EGYPT. IN ABSENCE US OR SOVIET ARMS SUPPLIES, EGYPTIANS ARE DEFINITELY DESIROUS OF EXPLORING THIS NEWLY OPENED ALTERNATE SOURCE FOR THEIR MILITARY EQUIPMENT. UK ARMS SALES NEGOTIATIONS ARE CURRENTLY
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UNDERWAY, AND FRANCE WILL SOON BE THE MAJOR WESTERN ARMS SOURCE FOR GOE. FRENCH EDUCATIONAL, CULTURAL, AND COMMERCIAL ACTIVITIES ARE ALSO FLOURISHING.

15. IN GENERAL, GOE INTEREST IN EUROPE HAS CONTINUED TO CENTER ON PURSUIT OF MONEY AND CREDITS, A FIELD IN WHICH EGYPTIANS PREFER BILATERAL APPROACHES TO EUROPEANS RATHER THAN FULL DRESS ARAB LEAGUE-EC NEGOTIATIONS, THOUGH THEY WILL PARTICIPATE

IN THE LATTER. LITTLE EUROPEAN ASSISTANCE HAS BEEN GARNERED DURING THE SUMMER. SMALL LOAN WAS ANNOUNCED FOLLOWING DANISH FM'S JULY VISIT AND FRENCH-EGYPTIAN COMMUNIQUE ISSUED AUGUST 7

FOLLOWING FAHMY'S PARIS VISIT URGED CLOSE COOPERATION BUT GAVE NO FIGURES FOR GOF AID. EGYPT HAS EVINCED LITTLE INTEREST IN EURO-ARAB DIALOGUE WHICH BEGAN JULY 31 IN PARIS AND WHICH HAS STILL NOT PROGRESSED BEYOND PROCEDURAL DISCUSSIONS. CYPRUS ISSUE, THE MAJOR EUROPEAN POLITICAL PROBLEM THIS SUMMER, IS OF SOME CONCERN TO GOE WHICH SUPPORTS MAKARIOS AND CONCEPT OF INDEPENDENT NON-ALIGNED ISLAND STATE.

16. PART II-INTERNAL AFFAIRS

ALTHOUGH PRESIDENT SADAT STOUTLY MAINTAINS THAT HIS LIBERALIZING OPEN DOOR POLICY IS A MERE "CORRECTIVE MEASURE" BASED ON HIS

INTIMATE KNOWLEDGE OF NASSER'S REAL INTENTIONS, "DENASSERIZATION"- BOTH POLITICAL AND ECONOMIC-HAS CONTINUED TO GATHER MOMENTUM. STRIKING EXAMPLES OF DE-EMPHASIS ON PAST WERE THE VIRTUAL OMISSION OF NASSER'S NAME DURING JULY 23 REVOLUTION DAY CELEBRATION, AND THE PRESIDENTIAL ORDER TO PEOPLES ASSEMBLY SPEAKER IN LATE JULY TO REVISE LEGAL CODES AND PURGE STATUS WHICH "CONFLICT WITH SPIRIT OF THE AGE".

17. THE QUALITATIVE DIFFERENCES BETWEEN THE LEADERSHIP STYLES OF SADAT AND NASSER WAS VIVIDLY DEMONSTRATED IN AUGUST AND SEPTEMBER WHEN SADAT MADE NO APPARENT MOVE TO HALT HEATED, BRUTALLY FRANK PUBLIC DEBATE ON TWO CRITICAL DOMESTIC ISSUES: CALLS FOR ESTABLISHMENT OF A MULTIPARTY SYSTEM AND BITTER

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DENUNCIATIONS OF THE CABINET'S APPARENT INABILITY TO EASE THE ECONOMIC CRISIS.

18. SADAT'S AUGUST 8 WHITE PAPER PROPOSING MODEST CHANGES IN OPERATION OF ARAB SOCIALIST UNION (ASU) LOOSED FLOODGATES. IN NEWSPAPER COMMENTARIES AND ON FLOOR OF PEOPLES ASSEMBLY PROMINENT EGYPTIANS ENTHUSIASTICALLY SUGGESTED CONSTITUTIONAL REFORMS INCLUDING RE-INSTITUTION OF PARTY SYSTEM, TOTAL DISSOCIATION OF PRESIDENT OF REPUBLIC FROM ASU, AND PROTECTION OF JOURNALISTS FROM ASU CONTROL. WE BELIEVE SADAT MAY APPROVE SOME CONSTITUTIONAL REFORM TO ALLOW A NON-SOCIALIST POLITICAL GROUP TO OPERATE LEGALLY.

19. SECOND SUBJECT OF BURNING CONCERN DURING REPORTING PERIOD HAS BEEN SPIRALLING INFLATION AND SHORTAGE OF SUCH BASIC COMMODITIES AS RICE, TEA, SUGAR AND SOAP. PUBLIC OUTCRY OVER THESE BREAD AND BUTTER MATTERS REACHED DIMENSIONS DWARFING ALL OTHER ISSUES WHETHER FOREIGN OR DOMESTIC. JOURNALISTS AND MP'S DENOUNCED RESPONSIBLE MINISTERS BY NAME WHILE TEMPER GREW RAGGED IN THE DAILY QUEUES OUTSIDE HALF-EMPTY GROCERY STORES. GOE RAIDED BLACK MARKETEERS, EXHORTED HOARDERS, PROMISED TO IMPROVE CHAOTIC DISTRIBUTION SYSTEM, AND BANDIED ASTRONOMICAL FOREIGN AID

FIGURES-ALL OF WHICH HAD LITTLE VISIBLE EFFECT ON ECONOMIC CRISIS. WE BELIEVE PUBLIC IMPATIENCE WITH GOE INEFFECTIVENESS HAS CREATED FIELD FOR ANTI-GOVERNMENT AGITATIONS, NOTABLY LIBYANS AND MOSLEM FUNDAMENTALISTS.

20. SADAT HIMSELF WAS NOT BUTT OF PUBLIC CRITICISM. INSTEAD, BLAME FOR SUPPLY AND ECONOMIC POLICY FAILURES HAS BEEN PLACED ON HIS SUBORDINATES, FOUR OF WHOM WERE FORCED OUT OF CABINET ON SEPTEMBER 26 DURING A LIMITED RESHUFFLE. AT SAME TIME, SADAT REMOVED HIMSELF FURTHER FROM DAY TO DAY RESPONSIBILITY FOR GOE BY RESIGNING PRIME MINISTERSHIP AND APPOINTING HEGAZI IN HIS PLACE. THE NEW PRIME MINISTER WILL BE FACED WITH FORMIDABLE TASK OF HAVING TO GROPE FOR SHORT TERM NOSTRUMS AND LONG RUN SOLUTIONS FOR DETERIORATING ECONOMIC SITUATION, AND ROLL WITH THE PUNCHES AS BEST HE CAN. EVEN WITH MORE COMPETENT MINISTERS, HEGAZI WILL CONTINUE TO BE HANDICAPPED BY BLOATED, DIFFUSE AND SLUGGISH BUREAUCRACY, BY COLOSSAL BURDEN OF RECONSTRUCTION, BY LACK OF HARD CURRENCY, AND BY A MAZE OF INTERNATIONAL FINANCIAL BURDENS. OIL RICH ARAB BROTHERS CONTINUE

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TO BE VIEWED AS SOURCE OF HELP, BUT HAVE THUS FAR BEEN TIGHT-FISTED IN RESPONDING TO EGYPT'S MASSIVE NEEDS.
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